CANADIAN IMPERIAL
BANK OF COMMERCE

Annual Report 1977

Sur simple demande, nous nous ferons
un plaisir de vous faire parvenir la
version française du présent rapport.

CANADIAN IMPERIAL
BANK OF COMMERCE 111TH ANNUAL REPORT

Highlights of the Year

For the year	1977	1976
Revenues	**$ 2,450,448,074**	$ 2,207,728,441
Expenses	**$ 2,196,828,019**	$ 1,933,829,993
Balance of revenue	**$ 253,620,055**	$ 273,898,448
Income taxes	**$ 103,000,000**	$ 128,000,000
Balance of revenue after taxes	**$ 150,620,055**	$ 145,898,448
Appropriation for losses	**$ 30,000,000**	$ 35,000,000
Balance of profits	**$ 120,620,055**	$ 110,898,448
Dividends	**$ 48,776,000**	$ 44,595,200
Per share		
Balance of revenue after taxes	**$4.32**	$4.19
Balance of profits	**$3.46**	$3.18
Dividends	**$1.40**	$1.28
Year-end		
Assets	**$31,969,249,133**	$26,104,042,869
Deposits	**$29,316,319,931**	$23,867,586,969
Accumulated appropriations for losses	**$ 332,311,761**	$ 301,362,718
Total capital funds	**$ 936,346,049**	$ 864,501,994
Shareholders' equity	**$ 711,346,049**	$ 639,501,994
Number of shareholders	**29,791**	29,753
Number of employees	**33,635**	32,784
Number of branches	**1,823**	1,784

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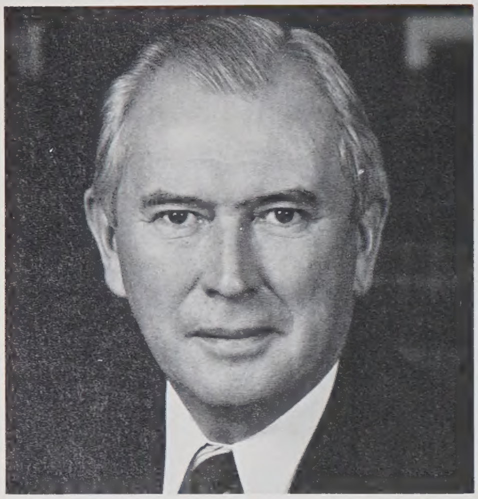
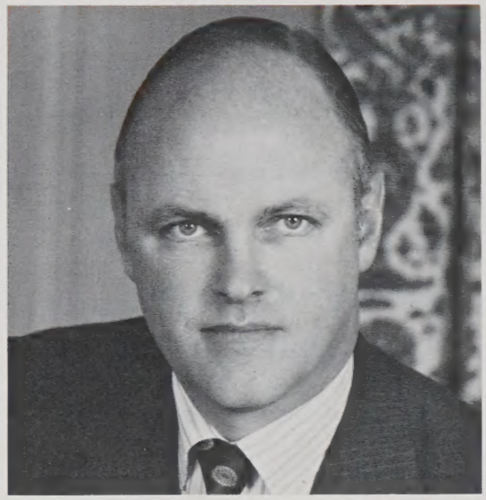
CANADIAN IMPERIAL
BANK OF COMMERCE

Directors

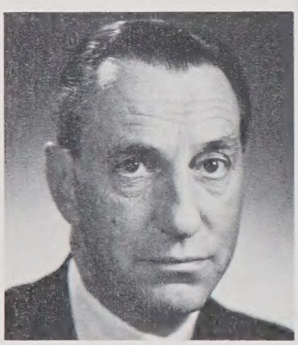


Chairman and Chief Executive Officer
**RUSSELL E. HARRISON

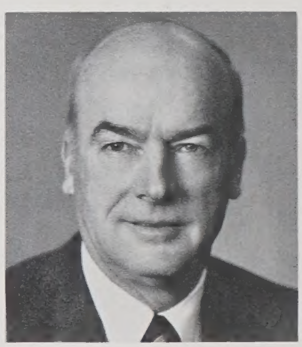


President and Chief Operating Officer
*R. DONALD FULLERTON

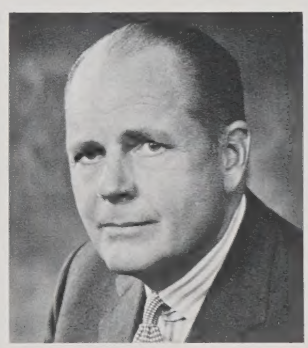
Board Vice-Presidents



*H. J. LANG, P.Eng.
Chairman of the Board,
Canron Limited, Montreal

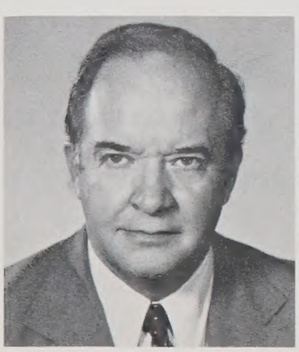


*J. D. LEITCH
President,
Upper Lakes Shipping Ltd.,
Toronto



*JOHN A. McDOUGALD
Chairman and President,
Argus Corporation Limited,
Toronto

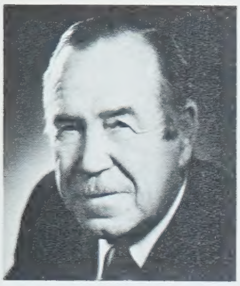
*W. F. McLEAN
President,
Canada Packers Limited,
Toronto



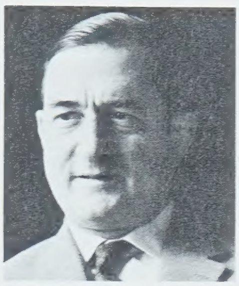
*ANDRÉ MONAST, Q.C.
Partner,
St-Laurent, Monast, Walters &
Vallières, Quebec

*GEORGE T. RICHARDSON,
B.Com., LL.D.
President, James Richardson
& Sons, Limited, Winnipeg

*J. E. RICHARDSON, LL.B.
Chairman,
MacMillan Bloedel Limited,
Vancouver



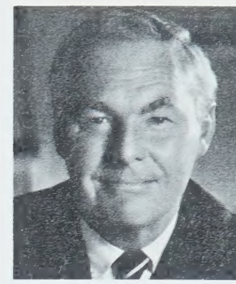
Aubrey W. Baillie
Chairman,
Bowes Company Limited,
Toronto



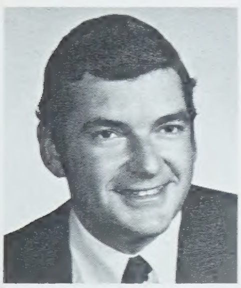
Sir David Barran
Director, The Shell Transport
and Trading Company, Limited,
London, England

J. C. Barrow
Chairman and Chief Executive
Officer, Simpsons-Sears Limited,
Toronto

Conrad M. Black, LL.L., M.A.
Chairman,
Sterling Newspapers Limited,
Toronto



Edmund C. Bovey
Chairman,
Norcen Energy
Resources Limited, Toronto

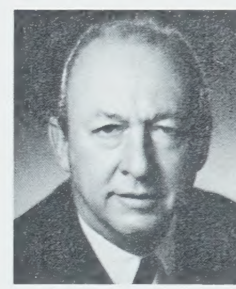


Edgar G. Burton
President,
Simpsons, Limited, Toronto

***Marsh A. Cooper,** D.Sc., P.Eng.
President and Managing Director,
Falconbridge Nickel Mines
Limited, Toronto

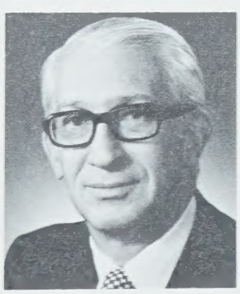
Ralph W. Cooper
Chairman,
Cooper Construction Company
Limited, Hamilton

E. H. Crawford
President,
The Canada Life
Assurance Company, Toronto

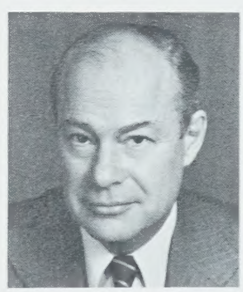


***R. Fraser Elliott,**
Q.C., B.Com., M.B.A.
Senior Partner, Stikeman, Elliott,
Robarts & Bowman, Toronto

Albert L. Fairley, Jr., B.Sc.
President and Chief Executive
Officer, Hollinger Mines Limited,
Birmingham, Ala.

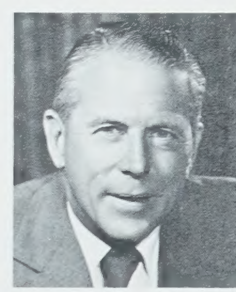


Bertrand Gerstein
Chairman of the Board,
Peoples Jewellers Limited,
Toronto



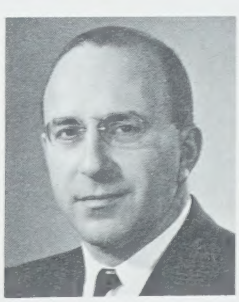
***Lawrence G. Greenwood**
Chairman and President,
The Dominion Realty Company,
Limited, Toronto

Hugh G. Hallward
President,
Argo Construction Ltd.,
Montreal



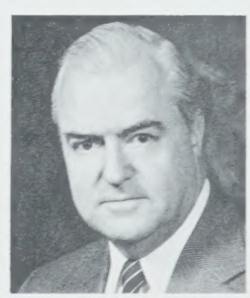
A. D. Hamilton
President and
Chief Executive Officer,
Domtar Limited, Montreal

W. M. Hatch
Director,
Jannock Limited,
Toronto

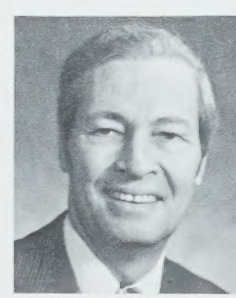


***Sydney M. Hermant**
President,
Imperial Optical
Company Ltd., Toronto

F. Marguerite Hill,
M.A., M.D., F.R.C.P.(C)
Physician-in-Chief,
Women's College Hospital,
Toronto

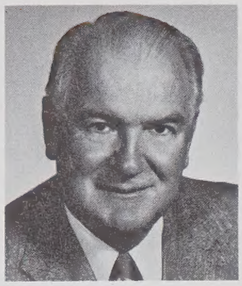


Frederick W. Hill
President,
McCallum Hill
Limited, Regina



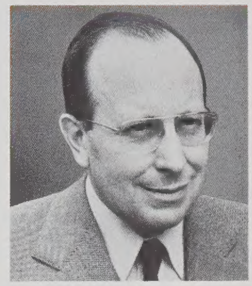
Harry Hole, P.Eng.
Vice-President
and General Manager,
Lockerbie and Hole
Western Limited, Edmonton

G. R. Hunter, M.B.E., Q.C., LL.B.
Partner,
Pitblado & Hoskin,
Winnipeg

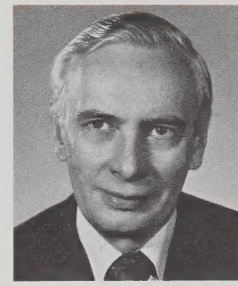


M. E. Jones, Q.C., LL.B.
Senior Partner,
Jones, Black & Company,
Calgary

***James W. Kerr**
Chairman and Chief Executive
Officer, TransCanada PipeLines,
Toronto

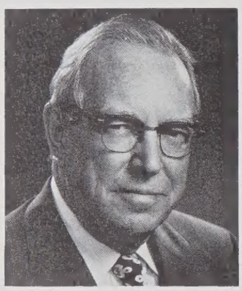


Olivier Lecerf
Chairman and Chief Executive
Officer, Lafarge S.A.,
Paris, France

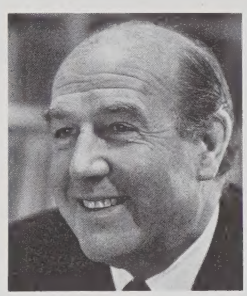


***A. J. MacIntosh,** Q.C., LL.B.
Partner,
Blake, Cassels & Graydon,
Toronto

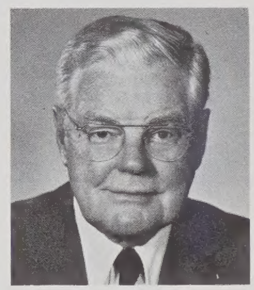
Senator, Hon. Ernest C. Manning,
P.C., C.C., LL.D.
President, M. & M. Systems
Research Ltd., Edmonton



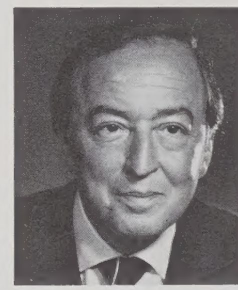
Thomas H. McClelland,
B.Sc., P.Eng., Chairman of the
Board, Placer Development
Limited, Vancouver



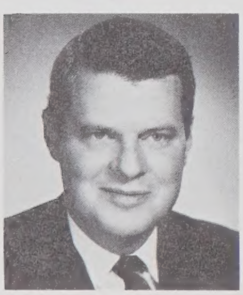
J. H. Moore, F.C.A.
Chairman,
Brascan Limited, London



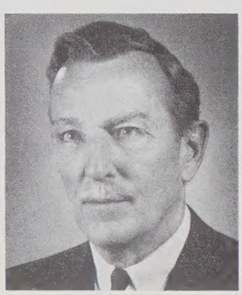
Philip W. Oland,
O.C., C.D., B.Sc., LL.D.
President, Moosehead Breweries
Limited, Saint John, N.B.



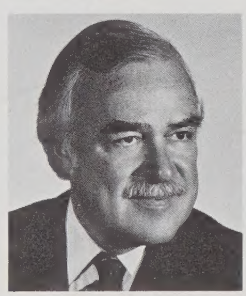
***Jean P. W. Ostiguy**
Chairman of the Board,
Greenshields Incorporated,
Montreal



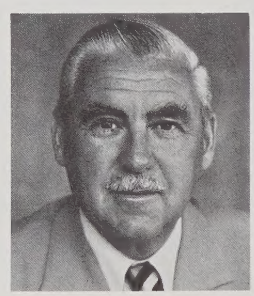
***Alfred Powis**
Chairman and
President,
Noranda Mines Limited,
Toronto



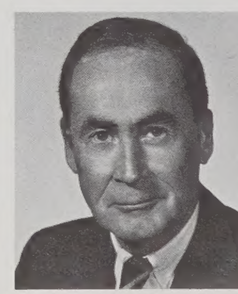
Conrad S. Riley
Chairman,
The Canadian Indemnity Company,
Winnipeg



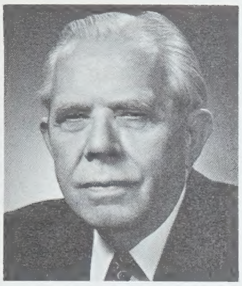
Hon. John P. Robarts,
P.C., C.C., Q.C., LL.D., D.C.L.
Partner,
Stikeman, Elliott,
Robarts & Bowman, Toronto



Robert G. Rogers
Chairman of the Board and
Chief Executive Officer,
Crown Zellerbach Canada Limited,
Vancouver

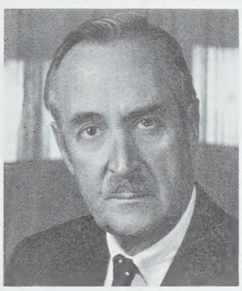


***Robert C. Scrivener**
Chairman and
Chief Executive Officer,
Northern Telecom Limited,
Montreal



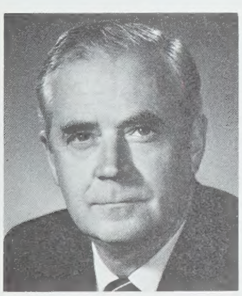
°**J. Herbert Smith,** D.Sc.
Director,
Sun Life Assurance
Company of Canada, Toronto

°**A. A. Thornbrough,** M.A., B.Sc.
President,
Massey-Ferguson Limited,
Toronto



°**J. Page R. Wadsworth**
Chairman of the Board,
Confederation Life
Insurance Company, Toronto

Dr. Catherine Wallace, O.C.
Chairman, Maritime Provinces
Higher Education Commission,
Fredericton



°**Walter G. Ward**
Chairman,
The Algoma Steel
Corporation, Limited, Toronto

° Member of Executive Committee

°° Chairman of Executive Committee

International Advisory Council

Barbados:

JOHN S. GODDARD
Chairman,
J. N. Goddard & Sons Limited, Bridgetown

Belgium:

BARON HUBERT J. N. ANSIAUX
Honorary Governor,
Banque Nationale de Belgique, Brussels

France:

COUNT PIERRE CELIER
Chairman, SACILOR
President, Marine Wendel, Paris

Federal Republic of Germany:

DR. HERBERT GRUENEWALD
Chairman of the Managing Board,
Bayer AG, Leverkusen

Italy:

DR. GUIDO CARLI
President, Confindustria, Rome

Japan:

K. KOBAYASHI
Chairman of the Board and Chief Executive Officer, Nippon Electric Co., Ltd., Tokyo

Netherlands:

DR. HAN HOOG
Chairman,
Energy Research Centre Netherlands,
The Hague

Sweden:

HANS WERTHEN
Chairman, AB Electrolux, Stockholm

United Kingdom:

THE RT. HON. LORD McFADZEAN, K.T.
Honorary President,
British Insulated Callender's Cables Limited,
London

SIDNEY SPIRO
Executive Director,
Anglo American Corporation of South Africa Limited, London

United States:

J. ROBERT FLUOR
Chairman and Chief Executive Officer,
Fluor Corporation, Los Angeles

HAROLD A. SHAUB
President,
Campbell Soup Company,
Camden

Canada:

THOMAS J. BATA
President, Bata Limited, Toronto

JACK P. GALLAGHER
Chairman and Chief Executive,
Dome Petroleum Limited, Calgary

Directors Emeritus

HENRY BORDEN, O.C., C.M.G., Q.C., LL.D., D.C.L., *Toronto*
HON. JOHN V. CLYNE, *Vancouver*
W. M. CURRIE, *Vancouver*
IAN D. DAVIDSON, C.B.E., *Cuernavaca, Mexico*
NELSON M. DAVIS, *Toronto*
M. A. EAST, *Saskatoon*
GORDON FARRELL, *Vancouver*
P. M. FOX, D.C.L., D.Sc.F., *Paget, Bermuda*
ELIOT S. FROSST, *Montreal*
E. C. GILL, LL.D., F.S.A., *Toronto*
EDGAR L. HICKMAN, *St. John's, Nfld.*
W. F. JAMES, Ph.D., *Toronto*
M. W. MACKENZIE, O.C., C.M.G., LL.D., C.A., *Ottawa*
W. S. M. MacTIER, M.C., *Montreal*
H. L. McCULLOCH, B.A.Sc., *Cambridge*
THE RT. HON. LORD McFADZEAN, K.T., *London, England*
GEORGE H. McIVOR, C.M.G., *Calgary*
ALLEN A. McMARTIN, *Tucker's Town, Bermuda*
TREVOR F. MOORE, *Toronto*
MAJ.-GEN. HON. E. C. PLOW, C.B.E., D.S.O., C.D., D.C.L., *Brockville*
RHYS M. SALE, LL.D., D.Sc., *Oakville*
J. D. SIMPSON, *Vancouver*
JAMES STEWART, C.B.E., LL.D., *Toronto*
H. M. TURNER, *Toronto*
S. M. WEDD, *Toronto*

CANADIAN IMPERIAL
BANK OF COMMERCE

Chairman and Chief Executive Officer
RUSSELL E. HARRISON

President and Chief Operating Officer
R. DONALD FULLERTON

Deposit Business,
Marketing & Customer Services
DAVID A. LEWIS
Senior Vice-President

Human Resources and Administration
E. STANLEY DUFFIELD
Senior Vice-President

International Banking
JAMES G. BICKFORD
Senior Vice-President

Real Estate
LAWRENCE G. GREENWOOD
Chairman and President,
The Dominion Realty Company, Limited

Domestic Regions
JOHN A. C. HILLIKER
Senior Vice-President

Information and Operating Systems
DEREK G. KEAVENEY
Senior Vice-President

Loans and Investments
CHARLES M. LAIDLEY
Senior Vice-President

Vice-Presidents and Regional General Managers

ATLANTIC
J. D. SIMPSON — Halifax

MONTREAL REGION
M. J. M. CASAVANT — Montreal

QUEBEC REGION
P. F. LEGER — Montreal

ONTARIO CENTRAL
R. J. BISSET — Toronto

ONTARIO CENTRAL EAST
W. F. SPENCE — Toronto

ONTARIO CENTRAL WEST
R. G. RUSSELL — Toronto

ONTARIO TORONTO CITY
J. D. HAZELTON — Toronto

MAIN BRANCH—COMMERCE COURT
F. E. K. UDELL *(Vice-President and Manager)* — Toronto

ONTARIO EAST AND NORTH
C. J. SHIRLEY — Ottawa

ONTARIO HAMILTON-NIAGARA
J. BILSLAND — Hamilton

ONTARIO SOUTH-WEST
W. H. ARMSTRONG — London

MANITOBA
J. D. HAIG — Winnipeg

SASKATCHEWAN
J. B. ROGAN — Regina

ALBERTA SOUTH
V. R. B. NORDHEIMER — Calgary

ALBERTA NORTH
AND NORTHWEST TERRITORIES
J. G. ANDERSON — Edmonton

BRITISH COLUMBIA
AND YUKON TERRITORY
GORDON T. ORMSTON — Vancouver
(Senior Vice-President and Regional General Manager)
G. W. LEWIS *(Vice-President)* — Vancouver

EUROPE
D. J. GRIFFITHS *(Vice-President)* — London, Eng.

Vice-Presidents—Head Office

B. W. BLANDFORD
Project Financing

C. W. COLE
Investments

P. J. COTTON
Personnel

K. H. CUTT
Information and Operating Systems

J. F. DIXON
Marketing

F. S. DUNCANSON
Project Financing

O. DUSKES
Premises

B. V. GESTRIN
Economics

R. F. HENTHORN
Credit

R. J. KELLY
Systems Development and Processing

N. E. LANE
Investments

R. A. McELWAIN
Inspection

J. R. McSHERRY
Credit

H. G. MILLS
Credit

J. P. MORETON
Business Development

A. W. MOYSEY
International

E. L. PURSEY
Accounts and Control

G. WHITTON
Systems Planning

Corporate Secretary
G. W. RADFORD

Director of Public Relations
G. B. SOTEROFF

Chief Accountant
D. BOWDER

Assistant General Managers—Head Office

J. C. ARMSTRONG
Credit

F. D. A. BOAL
Corporate Planning

A. D. BROOMFIELD
International

N. EAKINS
Employee Relations

T. V. GRINDLEY
Project Financing

I. R. HARRISON
International

L. D. HIVON
Credit

R. V. KEITH
Systems

C. E. LANGSTON
International

J. R. LOEWEN
Corporate Services

M. A. MacINTYRE
Credit

J. W. S. MARTIN
Premises

W. J. MIZEN
Credit

E. J. MORRIS
Credit

P. H. NICKELS
International

R. B. PRATT
Credit

M. RYLES
Systems

P. D. SACKS
Investments

H. R. SCHLACK
Credit

R. W. SYDIA
Systems

J. B. THOMPSON
Systems

J. R. WARD
Systems

R. J. WHITE
Systems

J. E. WIGHTMAN
Consumer Loans

J. A. M. WILLIAMSON
Credit

R. F. WOODWARD
Chargex

Assistant General Managers—Regional Offices

J. B. Y. R. BELANGER
Quebec

R. N. BRADY
Ontario Toronto City

F. M. BRECHT
Ontario Central East

B. G. COMBER
London, England

R. L. DE CELLES
Ontario East & North

G. P. DIXON
Ontario

R. E. HANSPLANT
Ontario Hamilton-Niagara

P. M. HOWARD
Commerce Court

O. W. LACEY
London, England

H. M. LANE
British Columbia and Yukon Territory

N. H. LEWIS
Alberta North and Northwest Territories

D. A. LOEWEN
Atlantic

F. A. LUSSIER
British Columbia and Yukon Territory

P. H. D. McCARTHY
Montreal

K. M. SHARP
Ontario Central West

G. K. SHERMAN
Alberta South

D. W. STEPHENSON
Ontario South-West

W. E. TANNAHILL
Saskatchewan

O. J. WIENS
Manitoba

J. E. WILLSON
British Columbia and Yukon Territory

L. S. C. WILSON
Ontario Central

The Domestic and International Environment

Russell E. Harrison,
Chairman and Chief Executive Officer

Remarks to the Annual General Meeting of Shareholders on December 13, 1977.

The President has already discussed the Bank's results for the past year (see page 13), a year which was marked by difficulty for the business sector generally. I would like to look more broadly at the general economic environment in which we have had to operate and, then, discuss some of the problems and challenges facing us.

I usually prefer to take a positive approach—if at all possible. And so, in planning these remarks, I looked for any encouraging elements in our present situation. Certainly, there are a number of pluses in the picture and I would like to deal briefly with a few of the more important ones.

First, it is heartening that the world economic comeback is continuing, even though the rate of recovery is disappointing. The United States economy has slowed considerably from the rapid pace set earlier this year and rather moderate growth is expected during the next 12 months. Similarly, our overseas trading partners do not show any notable vigour and we should not count on any major external stimulus to aid our own flagging economic performance.

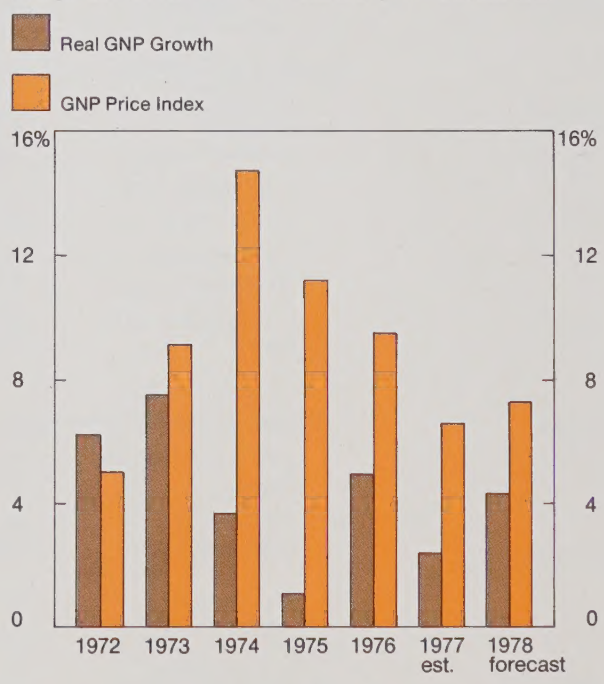
On the other hand, a renewed world recession appears unlikely for 1978 and the resilience of the economies of our major trading partners provides some encouragement for the future by holding out the likelihood of a more extended and less inflationary upswing. In fact, it is possible that, as we move through 1978, we will see a gradual strengthening of the world economic situation with the stronger countries—such as the United States, Germany and Japan—leading the way. Nations with higher rates of inflation and weaker balance-of-payments positions—such as France, Italy and Canada—must behave more cautiously.

It is also encouraging that the floating exchange rate system has worked as well as it has through a fairly turbulent period. We have had major increases in oil prices—which caused sharp shifts in balance-of-payments positions—and the overheated world economy of 1974 has changed to one of recession followed by the more recent upturn.

Through all these events, exchange markets have functioned in a satisfactory fashion. There have been disturbances, of course, but we have experienced none of the crisis situations—with closed markets and top-level international huddles—that marked the last few years of the fixed-rate Bretton Woods system.

At home, it becomes more difficult to find reason for cheer, but there are a few bright spots. While this country's economic performance leaves much to be desired, it is not, in any sense, catastrophic. Real growth, for example, is expected to show some acceleration in 1978 to a rate of 4 or 4½%. This will be well short of our potential, I grant you, but it will be a much-needed improvement on this year's anaemic showing, which was particularly weak in early summer.

Real Growth and Inflation in Canada



True, consumers remain hesitant and real income growth is still squeezed between undesirably high wage increases and even higher rates of inflation. Nevertheless, we can see consumer expenditures recovering from their marked weakness of 1977. At the same time, business investment spending may show some marginal improvement, led by projects in the energy field and the utilities. No particular progress is apparent in the area of residential construction but, at least, no major downturn is expected despite the still very substantial inventory being carried by builders.

In our external accounts, our merchandise trade surplus is likely to grow to about $3 billion in 1978. This upturn will be aided to some extent by the depreciation of the Canadian dollar and, perhaps more importantly, by the continuing, and by late 1978 possibly quickened, growth in the economies of our major trading partners.

Projecting our price performance in the year ahead, we expect no major change in the current rate of inflation which is in the 7—8% range. Thus, although inflation remains high, it is not expected to accelerate while controls are being phased out and even beyond 1978 it should remain relatively stable. This contrasts sharply with the 1974-75 period when price and wage increases were running at two-digit rates and showing signs of acceleration.

In general, the outlook beyond 1978 is hopeful, with major energy projects providing a considerable impetus for growth and employment.

Another positive element in the current domestic picture is the absence of any serious pressures in the financial markets. While some modest and gradual increases in interest rates in Canada seem likely, particularly in the light of the recent uptrend in U.S. rates, I anticipate no major changes in our interest structure over the next few months. Hopefully, we will enter the period of pipeline financing without any undue strains on our markets, although the huge, and growing, government sector cash requirement is still cause for concern.

That's the good news. But it would be unrealistic to stop there and fail to recognize some of the very major problems and challenges ahead. Indeed, it may not be going too far to say that, despite our great potential for progress and prosperity, this country is confronted today by a situation which in many respects is the most serious we have faced since World War II.

Our problems could be classified, according to potential severity, into those which are to a very large extent technical in nature and those of a more cosmic significance. The latter are subtle and complex, and solutions to them will require a tremendous amount of goodwill and cooperative spirit—hopefully not more than we are capable of.

Among the more technical problems, I would count such matters as the conduct of monetary and exchange rate policy, the discovery and extraction of oil and gas, the design of workable new legislation in such areas as the Competition Act and the Bank Act, and the development of viable industrial policies for this country. Of course, I am not saying that we will not encounter formidable difficulties in each of these very diverse areas and many others of a similar kind. Canadians have shown considerable ingenuity in overcoming such challenges in the past and we can undoubtedly do so in the future, providing we show enough determination to tackle the real issues.

NATIONAL UNITY

However, when it comes to the larger problem of national unity—which is political and social as well as economic—we would be indulging in wishful thinking to assume that this issue can be amicably resolved without what will probably be painful—and what may be regarded by many as distasteful—adjustments and compromise.

But, I do believe it is imperative that every such effort be made to preserve Canada as a whole, because any impairment of our nationhood will be irreversible and if we fail to safeguard our heritage we will never get a second chance. A possible solution could include significant changes in our constitutional arrangements which would not only recognize some

of Quebec's legitimate desires but would also meet the concerns of all other provinces. In fact, it could result in a fairer, more rational and more efficient division of federal and provincial responsibilities and powers.

Certainly, much more will be achieved by compromise and by finding areas of common interest than by confrontations and continued bickering. Over the next two years, people in Quebec will be watching the rest of Canada closely to gauge the reaction to developments in that province.

I believe that the vast majority of Quebecois wants to reach a reasonable working arrangement which accommodates their special problems and aspirations. If such an understanding is not forthcoming, however, then there could well be a hardening of attitudes, even among people of moderation.

ECONOMIC PROBLEMS

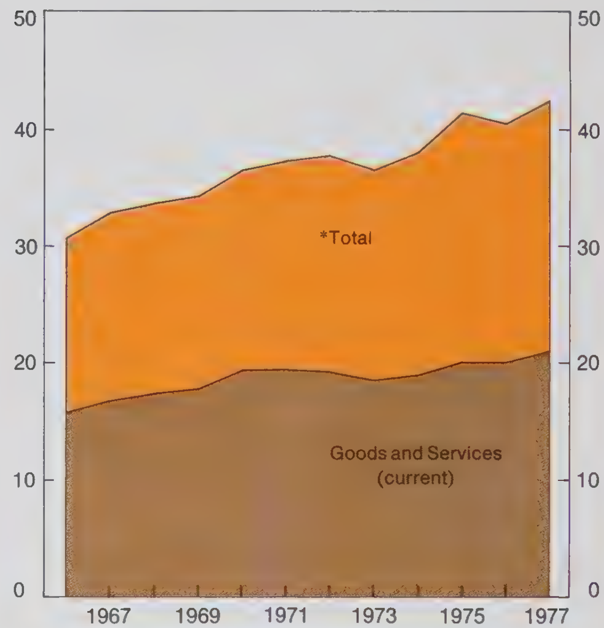
But let us return to our discussion of economic problems, because a resolution of these is, in many respects, a pre-condition for success in the larger struggle for national unity. Certainly, there are hopeful elements—and I have already noted some of them—but when viewing the economic landscape one quickly becomes aware of the number and severity of the problem areas.

For example, although some improvement can be expected in our growth performance in 1978, there can be little doubt that there are formidable obstacles to a sustained change in this regard. Let us look quickly at just a few of the more serious impediments to greater growth and prosperity.

At the very top of the list, I would place the role played by government for a relatively long period. While the sheer size of our government sector is worrisome, an even greater cause for concern are some of the basic beliefs of our governments about their role and function in a society such as ours.

At the same time as government has expanded out of proportion to other sectors of the economy, it has generally tended to emphasize redistribution of incomes more than their growth. In fact, the aim

Government Expenditures as % of GNP



*excludes intergovernmental transfers

appears to be more and more the "equality of outcomes" rather than the "equality of opportunity." It is hardly surprising that we have productivity problems and less effort is expended when it makes little difference in terms of reward whether people work hard or do little that strains either their muscles or their brains.

Frankly, an excessive emphasis on the "equality of outcomes," regardless of effort, must be one of the surest recipes for under-achievement as a nation. Unless we change this current bias to one favouring innovation, productivity and greater effort, we are going to be doomed to mediocrity in our domestic economic performance and in the international market place. We in the banking community are very much aware of the fact that there is a very competitive world out there and that without a sustained, all-out effort there is little chance of making one's way in it.

It is encouraging that the federal government, in its Economic and Fiscal Statement of last October,

stressed that it does not intend to introduce any major new programs and that it intends to hold its expenditure growth at or below that of the economy as a whole. The government also supported the efforts of the Bank of Canada to strengthen its control of the expansion of money supply. However, we must not lose sight of the fact that this more responsible behaviour is somewhat belated. It follows years of rapid growth in government spending and massive increases in the money supply. In other words, the present monetary and fiscal posture appears restrained only when compared with previous excesses. There is clearly still some way to go before one can truly say that the government has altered its ways regarding either expenditures or its intervention in the decision processes of the private sector.

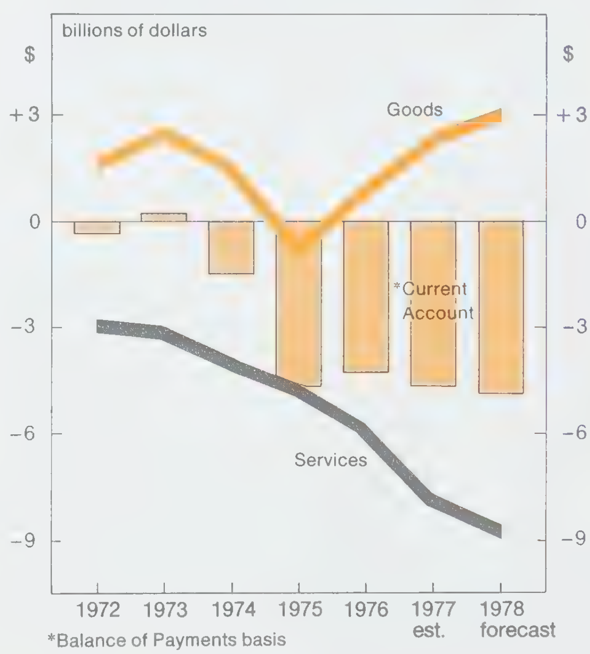
The AIB program is, of course, a ready example of massive government intervention. I have often said that price and wage controls are dangerous and ineffective in dealing with inflation, and I regret that the government considers it wise and necessary to extend controls into the third year of the program. I realize, of course, that income demands are still excessive and that too many people still think that they can "get a quart out of a pint jug."

Productivity increases on average by about 2% annually and, even with the best of efforts, it is difficult to envision this rate being raised higher than 3%. To the extent that average income claims exceed this 2—3% range, the difference must show up in higher prices. It is a fact that wage and salary expectations are still much higher than any realistic productivity advance and, as the controls come off, there will undoubtedly be some escalation of wage and salary demands. However, we cannot, and should not, try to deal with these by reimposition or extension of some form of controls. The whole incomes policy approach has proven to be largely ineffective, except in consensus economies. It tends to distort the economic system and to create massive bureaucracies, causing more rather than less inflation through reduced efficiency over the medium term. I certainly hope that we are not going to experiment with this type of approach to economic management.

Probably the only way we can keep government from again yielding to the temptation to intervene directly in the price system is to reduce the rate of inflation and avoid price flare-ups. For this to happen, there is little else that the government can do at this juncture than to persist with its policy of gradualism, reducing the rate of inflation to at least no more than that prevailing in the United States.

Preferably, we should see a period during which our costs and prices increase at a slower rate than those south of the border, because this would be one way of getting back some of the competitive advantage we have lost. Realistically, this may be difficult to achieve. Some lost ground undoubtedly has been regained by means of exchange rate depreciation. However, if the decline that has occurred in the Canadian dollar to date is to be of any lasting benefit, it must not be allowed to set off another wage/price spiral, as consumers try to regain by means of income increase what they have lost in purchasing power as a result of

Canada's International Trade Balances



*Balance of Payments basis

higher import prices. In other words, we must let the depreciation create a firmer competitive position for Canadian industry in the future.

Another obstacle on the way to a better performance has been the rigid and uncompromising way in which certain desirable long-term goals have been pursued.

For example, concern with the environment has in too many cases led to punitive demands on industries to take action they and their workers can ill afford. We must be careful not to "put the cart before the horse" in our attempts to clean up the environment. It is essential to proceed realistically and to take account of the relative strength of industries and their ability to shoulder the costs of pollution control at any given point in time. A case could certainly be made for phasing in such activities in harmony with the cyclical behaviour of the industry, with greater environmental efforts being concentrated in years of strength and higher profitability. In periods of slack demand, unreasonable environmental requirements could well serve to bankrupt already vulnerable enterprises.

CANADIANS AT CROSSROADS

We Canadians are at an important crossroads in our evolution as a country. We certainly possess many of the prerequisites for progress such as an enormous land area, a strong resource base, an active and innovative business community and a skilled labour force—indeed, we are the envy of the world in many of these respects.

Unfortunately, there are major impediments to our realization of this potential—some of them due to government mismanagement, but many also resulting from greed and mistaken notions about what the economic system is capable of producing relative to effort expended. And, we have probably been too prone to blame international trends for our problems. Probably, we have been trying to escape some of the harsher judgements which would tend to follow a greater acceptance of responsibility for many of the inter-related economic ills afflicting us, such as low growth and productivity, high inflation and unemployment, and a gradual loss of competitive power internationally.

As I pointed out earlier in my remarks, the picture is not entirely a sombre one and our present economic malaise is not irreversible. However, to improve the situation will require considerable wisdom and a willingness to take decisive action in the problem areas that I have mentioned.

If changes are not made, our economy will continue to perform in a fashion ranging from mediocre to poor and we may become chronic under-achievers in the international context.

On the other hand, if we can effect the necessary economic changes, placing a new emphasis on productivity and on weeding out regulations and government activities which hamper our economic progress, then we can enter a new era in which Canada and Canadians can move confidently toward realizing their true potential.

We must not waste our opportunities. The choice is ours and we may not get a second chance.

Report on 1977 Operations

R. Donald Fullerton,
President and Chief Operating Officer

Remarks to the Annual General Meeting of Shareholders on December 13, 1977.

It is a pleasure for me to once again have the opportunity to review the Bank's operating results and to comment briefly on some of the more significant developments during the past year. The Bank's quarterly interim reports clearly indicate that we have come through a rather unusual year—not because we had lower earnings in the first half and a strong performance in the fourth quarter, as this historically has been a feature of our Bank's operating performance. However, the rather extreme fluctuations from quarter to quarter did differentiate 1977 from other years.

An extraordinary combination of circumstances—some planned, some experienced—produced a gradual erosion of profitability through the last half of the 1976 fiscal year. This trend continued into the first quarter of 1977 and sharply accelerated in the second quarter. This tested the fibre and resourcefulness of management at all levels in the Bank. However, the steps which we took to stabilize costs and increase revenues were effective and the final outcome, as you will note from the printed statements in front of you, was an after-tax balance of revenue for the year of $150.6 million, some $5 million or 3% above 1976.

Earnings from our international operations rose by $6 million to almost $34 million in 1977, more than offsetting the marginal drop in the domestic contribution which, at $117 million, was down about $1 million from the previous year.

Our assets rose almost $6 billion to a record $32 billion. Of this increase, more than $3 billion—or more than half—was in the loan sector. Mortgages and foreign currency loans recorded major increases, business loan demand remained relatively firm given the economic conditions prevailing, while demand for consumer loans softened.

On the liability side, our total deposits were up by $5.4 billion, or 23%. Personal savings deposits in Canada rose by $1.4 billion or 14%. Other deposits, which include current accounts and term deposits, showed even better growth, while foreign deposits in total continued to expand rapidly to finance the increasing volume of foreign business being transacted. The translation of foreign currencies to Canadian added to the apparent growth to the extent of about $1 billion. This, as you will appreciate, largely flows from the 12% devaluation of the Canadian dollar relative to the U.S. dollar, which occurred over the fiscal year under review.

In the Statement of Revenue, Expenses and Undivided Profits, the figure of $150.6 million is recorded as the balance of revenue after provision for income taxes, which is a significant measure of the success or otherwise of a banking operation. This amount is divided up on a somewhat arbitrary basis with some going to appropriation for losses, which is an unallocated reserve against unidentified, but possible, future losses on loans, or securities. Dividends are deducted and then the balance is allocated to either rest account or undivided profits. You will note we increased the rest account by $75 million and left $1.6 million in Undivided Profits. When you look at this statement, you should consider appropriations for losses, rest account and undivided profits as additions to the capital of the Bank. Such additions are essential to support the growth in evidence and in prospect.

On the following page, the breakdown of reserves of the Bank is set out in the Statement of Accumulated Appropriations for Losses. This is a rather complex statement required under the Bank Act but the important feature is the total reserve figure of $332 million, of which $212 million is tax paid.

The statements of the controlled corporations are set out on the pages following the Auditors' Report to the Shareholders in the usual manner.

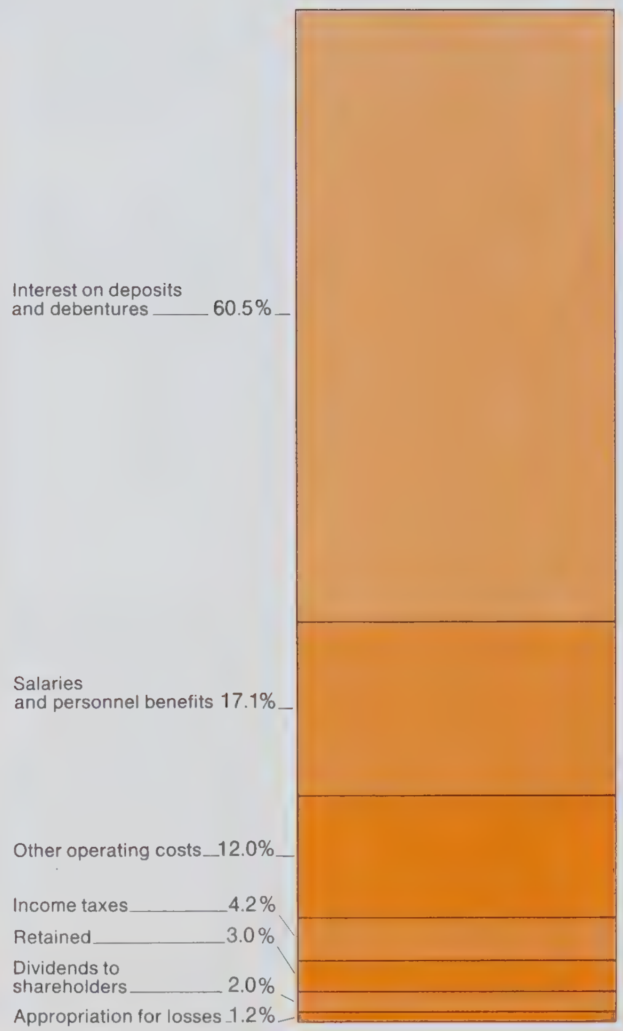
EARNINGS INFLUENCES

Now I would like to discuss in a little more detail some of the factors that affected our earnings in 1977.

You will recall that we have been restructuring our administrative regions so that, ideally, each will

Source of Revenue in 1977

Distribution of Revenue in 1977



supervise roughly 100 branches. Late last year, the number of regional offices in Ontario was doubled, from four to eight. Early this year, Quebec was divided into two regions. Similar changes are under way in British Columbia and Alberta. Considerable expense has been incurred to implement this program to increase the efficiency and competitiveness of the Bank.

Major outlays are also involved in the ongoing expansion of our computer facilities across the country. The cost of installing banking terminals in many more of our branches was significant and will be an ongoing commitment.

In the Statement of Revenue, Expenses and Undivided Profits, excluding interest on deposits, the largest item in the expense column was salaries, pensions and other benefits. The number of our personnel rose to 33,635 from 32,889 in the previous year, with the related expense moving up to $420 million from $360 million in 1976. The proportion of specialists continues to increase as we staff the new regional offices and data centres and add to head office resources. However, when you consider the growth in the Bank generally, I am sure you will appreciate the real growth in numbers of personnel was maintained at reasonable levels in 1977 after several years of very substantial increases.

The increased provision for loan losses has also contributed significantly to the rise in operating costs.

Our net loan losses in the past year amounted to $86 million, compared with $49 million in 1976. Some $64 million was charged to operating expenses as you will see from the explanation against other operating expenses in the middle of the Statement of Revenue, Expenses and Undivided Profits. The remainder is charged to reserves and you will see this entry if you turn to the Statement of Accumulated Appropriations for Losses under the section "Loss experience on loans less provision included in other operating expenses."

Expressed as a percentage of total loans outstanding, our loan losses rose from .30% in 1976 to .44% in 1977. This is a rather sharp increase which includes several larger situations, which were quite unusual and have been provided for. In periods of depressed economic conditions, we normally expect an escalation in our number of unsatisfactory accounts. For this reason, we have devoted a good deal of time to this aspect of our business and it will continue to receive close attention.

Before moving on to some specific remarks on our international and domestic operations, I would like to make one further comment on the Bank's revenues. Dividends received in 1977 from controlled corporations which are included in income from securities, aggregated roughly $6 million more than the profits or earnings of such companies in the year.

This amount can be viewed as coming from earnings retained in earlier years by these companies.

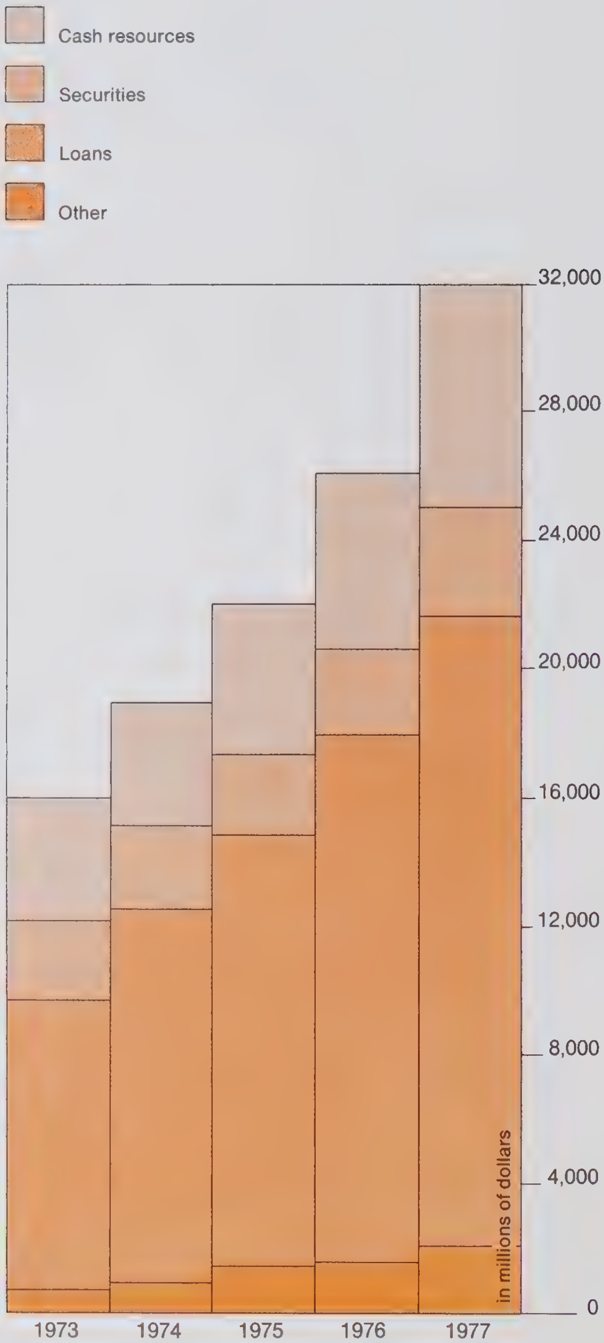
The Bank's activities internationally continued to expand in 1977 with the contribution to balance of revenue after tax rising by more than 20% to $34 million.

The operating performance of the Bank's wholly-owned subsidiary in California, California Canadian Bank, improved significantly during the year under review. California Canadian Bank, as many of you are aware, conducts a full banking operation through 24 branches spread throughout the state. Its head office is in San Francisco. Our Bank also expanded in the state of Oregon last year with two new branches opening in Portland.

The Bank's operations in Singapore and Hong Kong continue to grow and diversify. In the former city, we upgraded our operations by opening an Offshore Branch and an Asian Currency Unit in early 1977. In the latter, we now have an Area Administrative Office, a wholly-owned banking subsidiary and a development company in partnership with a local partner. We also participate in a joint venture merchant banking vehicle with other international institutions. The growth in our business has been sound and very substantial.

In the Caribbean, where the Commerce has historically had wide representation, we added a ninth branch in Barbados and we plan to open a tenth there in 1978.

Total Assets



We also formed new trust companies in Barbados and in Trinidad and these are expected to assist the expansion of trust operations in both countries.

Last year, our banking operations in Jamaica became locally incorporated and we expect a similar arrangement will be concluded with the government of Trinidad and Tobago in the relatively near future.

The Commerce is now represented in 24 countries through 93 branch offices, 14 representative offices, seven trust companies and two agencies. In addition, the Bank is a participant in a growing number of joint ventures with other major international financial institutions. Two such investments in 1977 were the acquisition of a 40% interest in Martin Corporation Group Ltd., an Australian merchant bank, and the purchase of a 20% interest in Banque des Iles Saint Pierre et Miquelon.

The strong base of the Bank, of course, continues to be its domestic operations. If I commented on the highlights of the Bank's operations across the country, we would be here through most of the day, so I will confine my remarks to several specific areas of activity, which we believe would be of special interest.

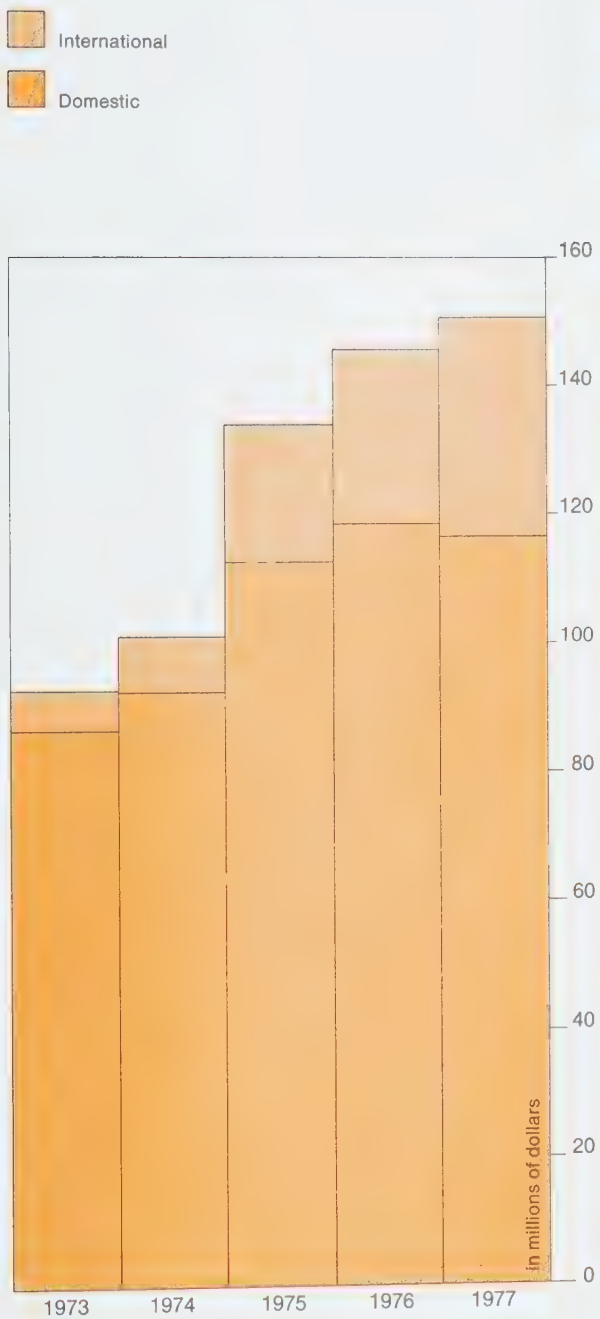
PROJECT FINANCING GROUP ACTIVE

Our Project Financing Group, set up just a few years ago, has been increasingly busy. During 1977, it arranged or was lead manager in syndicated loans for a large number of projects and many more are in process.

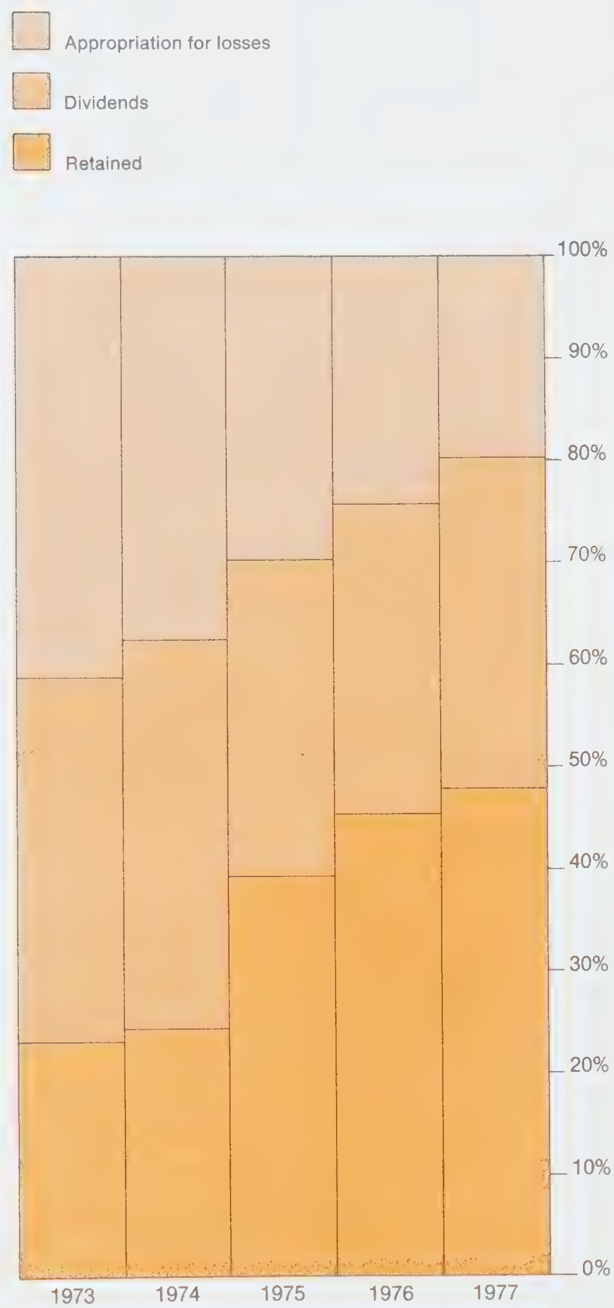
It may interest you to learn that this Group is the senior Banking Advisor to Foothills Pipe Lines (Yukon) Ltd., which has been selected to build and to operate the Canadian portion of the multi-billion dollar Alaska Highway Pipeline to transport natural gas from the Alaska North Slope. The Group looks forward to playing a major, ongoing role in developing the financial package required for what is one of the largest civil engineering projects ever undertaken by private enterprise.

We recently established a Lease Financing Group and we expect it to develop into a significant operation over the next few years. Plans are also well advanced

Balance of Revenue After Income Tax



Distribution of Balance of Revenue after Taxes



to form special groups to provide several other innovative financing services, which will strengthen the Bank's ability to meet the credit needs of its corporate customers.

The Commerce continues to be a leader in mortgage lending, primarily in the housing sector. I am happy to report that the total of mortgage approvals for the fiscal year 1977 was significantly above the previous record of $1 billion achieved in 1975.

During the year the number of Commerce branches serving Canadians across the country rose from 1,693 to 1,729—a net increase of 36.

In Halifax we opened our Atlantic Regional Office, the Halifax Main Branch and a regional data centre—all located in the new 16-storey Bank of Commerce building.

As well, we established service centres in Calgary and Regina, and another is under construction in Vancouver. Each of these facilities embraces a data centre and certain other facilities such as mailing operations, consumer loan departments and other centralized services necessary to support the branch network.

During the year there was steady growth in the Commerce Chargex system, in terms of both sales volume and cardholders. The addition of the universal name VISA to the card substantially extends its usefulness to Canadians travelling abroad. Issuance of the new Chargex VISA cards began in April and all existing cards are being replaced as they expire.

Chargex VISA is now accepted at more than two million merchant outlets and 57,000 banking offices in 117 countries and territories.

During the year the Commerce acquired the balance of the shares of United Dominions Corporation (Canada) Limited, in which it formerly held a 49% interest. This Company, in Canada since 1953, has expanded rapidly in the past few years and is now a major force in sales financing.

Your Bank has long recognized the increasingly important role of electronic technology in banking. Customers and personnel at some 700 of our branches now have the benefits of having all savings and demand deposit accounts handled on-line by the computer. As well, more and more commercial loan accounts are being switched to the on-line system. We are adding new branches to the system as fast as our capabilities will permit.

PERSONNEL

I have left the most important subject to the last and that is the Personnel of the Bank and related matters.

The publicity surrounding the renewed attempts by trade unions to organize segments of the banking industry no doubt has come to your attention and, perhaps, a brief comment is appropriate. The most significant development during the past fiscal year occurred in June when a landmark decision was handed down by the Canada Labour Relations Board. In essence, this decision indicated that a single branch of a chartered bank, regardless of size, may constitute a bargaining unit.

To put matters into perspective, as far as our Bank is concerned, at our fiscal year end after some eighteen months of activity, a union had been certified as bargaining agent for employees at only four of our branches, all being located in British Columbia. These certifications involved only 29 of our personnel out of a total complement of some 34,000.

It is your management's belief that the overwhelming majority of the Bank's personnel does not want to become unionized. Over the years, our performance as a major and growing employer has opened up more opportunities for employees as well as enhancing their job security. We strive to provide enlightened and responsible leadership in our ongoing relationship with employees, which we feel should obviate third-party intervention.

In 1975, the Bank introduced a new and comprehensive benefits program that has been well received by Commerce personnel. We firmly believe that, quite aside from the financial value of the package, the security it offers our people and their families is an important factor in the over-all environment created for our employees. During the

past year, we added a Group Dental Insurance Plan, which provides protection for all personnel and their dependents against a wide range of dental costs.

We continue to place heavy emphasis on training and education. In addition to the standard courses conducted at Regional and Head Office training centres, some 3,400 of our people were enrolled in university courses organized by the Institute of Canadian Bankers, another 600 completed management studies at the Bank's Staff College, and more than 90 passed successfully through a course of Accelerated Accountant Training at our new simulated training branches.

It is gratifying to note that women continue to assume greater responsibilities in our operations. During the year, the number of women holding appointed rank increased by more than 300 to close to 2,800. Of these, 170 now hold the position of branch manager or assistant branch manager.

I cannot emphasize enough—despite the many and astonishing advances in modern technology as applied to banking—how much of the Bank's remarkable growth has been due to the quality of its human resources. During the past year, the skills and dedication of our personnel were especially evident. Economic, social and growth factors confronted the personnel with unique challenges to which they have responded most effectively. I would like to express our appreciation for the understanding and co-operative efforts of the personnel towards sustaining the strong forward thrust of the Commerce now evident in the Bank's 1977 results.

Mr. Chairman, this completes my review of operations for the fiscal year 1977.

CANADIAN IMPERIAL
BANK OF COMMERCE

Statement of Assets and Liabilities

as at October 31, 1977

ASSETS	1977	1976
Cash and due from banks	**$ 6,157,473,886**	$ 5,123,673,641
Cheques and other items in transit, net	**644,525,742**	392,462,089
Total cash resources	**6,801,999,628**	5,516,135,730
Securities issued or guaranteed by Canada, at amortized value	**1,983,990,080**	1,873,290,696
Securities issued or guaranteed by provinces, at amortized value	**63,282,927**	34,352,841
Other securities, not exceeding market value	**1,376,919,834**	804,119,004
Total securities	**3,424,192,841**	2,711,762,541
Day, call and short loans to investment dealers and brokers, secured	**357,450,436**	317,829,831
Other loans, including mortgages, less provision for losses	**19,192,066,899**	16,036,992,716
Total loans	**19,549,517,335**	16,354,822,547
Bank premises at cost, less amounts written off	**296,229,606**	262,735,529
Securities of and loans to corporations controlled by the bank	**589,576,145**	250,961,467
Customers' liability under acceptances, guarantees and letters of credit, as per contra	**1,281,428,013**	984,741,410
Other assets	**26,305,565**	22,883,645
	$31,969,249,133	$26,104,042,869

See Notes to the Financial Statements

Auditors' Report to the Shareholders

We have examined the statement of assets and liabilities of Canadian Imperial Bank of Commerce as at October 31, 1977 and the statements of revenue, expenses and undivided profits, accumulated appropriations for losses and rest account for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

Toronto, November 22, 1977.

LIABILITIES	1977	1976
Deposits by Canada	$ 683,933,020	$ 470,757,140
Deposits by provinces	643,837,962	389,487,348
Deposits by banks	6,010,673,422	4,130,088,206
Personal savings deposits payable after notice, in Canada, in Canadian currency	11,228,612,954	9,809,709,841
Other deposits	10,749,262,573	9,067,544,434
Total deposits	29,316,319,931	23,867,586,969
Acceptances, guarantees and letters of credit	1,281,428,013	984,741,410
Other liabilities	102,843,379	85,849,778
Accumulated appropriations for losses	332,311,761	301,362,718
Capital Funds:		
Debentures issued and outstanding (Note 2)	225,000,000	225,000,000
Capital:		
Authorized—62,500,000 shares of a par value of $2 each		
Issued—34,840,000 shares fully paid up	69,680,000	69,680,000
Rest account	640,000,000	565,000,000
Undivided profits	1,666,049	4,821,994
Total capital funds	936,346,049	864,501,994
	$31,969,249,133	$26,104,042,869

R. E. HARRISON
Chairman
and Chief Executive Officer

R. D. FULLERTON
President
and Chief Operating Officer

In our opinion, the foregoing statements present fairly the financial position of the Bank as at October 31, 1977 and the revenue, expenses and undivided profits, accumulated appropriations for losses and transactions in the rest account of the Bank for the year ended on that date.

A. G. WATSON, F.C.A., of Peat, Marwick, Mitchell & Co.
D. C. SCOTT, F.C.A., of Clarkson, Gordon & Co.
Auditors

Statement of Revenue, Expenses and Undivided Profits

For the financial year ended October 31, 1977

	1977	1976
Revenue:		
Income from loans	**$2,043,357,184**	$1,838,009,471
Income from securities	**232,303,206**	205,861,893
Other operating revenue	**174,787,684**	163,857,077
Total revenue	**2,450,448,074**	2,207,728,441
Expenses:		
Interest on deposits and bank debentures	**1,483,379,714**	1,331,899,961
Salaries, pension contributions and other staff benefits	**419,848,690**	359,639,031
Property expenses, including depreciation	**103,353,583**	88,246,002
Other operating expenses, including provision of $64,426,442 ($45,444,608 in 1976) for losses on loans based on five-year average loss experience (Note 1)	**190,246,032**	154,044,999
Total expenses	**2,196,828,019**	1,933,829,993
Balance of revenue	**253,620,055**	273,898,448
Provision for income taxes relating thereto (Note 4)	**103,000,000**	128,000,000
Balance of revenue after provision for income taxes	**150,620,055**	145,898,448
Appropriation for losses (Note 1)	**30,000,000**	35,000,000
Balance of profits for the year	**120,620,055**	110,898,448
Dividends	**48,776,000**	44,595,200
Amount carried forward	**71,844,055**	66,303,248
Undivided profits at beginning of year	**4,821,994**	3,518,746
	76,666,049	69,821,994
Transferred to Rest account	**75,000,000**	65,000,000
Undivided profits at end of year	**$ 1,666,049**	$ 4,821,994

Statement of Accumulated Appropriations for Losses

For the financial year ended October 31, 1977

	1977	1976
Accumulated appropriations at beginning of year:		
General	**$ 101,132,951**	$ 93,110,582
Tax-paid	**200,229,767**	163,714,542
Total	**301,362,718**	256,825,124
Appropriation from current year's operations (Note 1)	**30,000,000**	35,000,000
Loss experience on loans less provision included in other operating expenses	**(21,727,819)**	(3,147,625)
Profits and losses on securities, including provisions to reduce securities other than those of Canada and provinces to values not exceeding market (including the partial reversal of provisions made in earlier years to reduce carrying values to market values)	**2,102,142**	16,085,219
Other profits, losses and non-recurring items, net	**74,720**	—
Provision for income taxes, including credit of $20,500,000 (1976 nil) related to appropriation from current year's operations (Note 4)	**20,500,000**	(3,400,000)
Accumulated appropriations at end of year	**$ 332,311,761**	$ 301,362,718
Accumulated appropriations at end of year:		
General	**$ 119,708,969**	$ 101,132,951
Tax-paid	**212,602,792**	200,229,767
Total	**$ 332,311,761**	$ 301,362,718

See Notes to the Financial Statements

Statement of Rest Account

For the financial year ended October 31, 1977

	1977	1976
Balance at beginning of year	**$565,000,000**	$500,000,000
Transfer from undivided profits	**75,000,000**	65,000,000
Balance at end of year	**$640,000,000**	$565,000,000

Notes to the Financial Statements

1. The provision on account of losses incurred on loans included in other operating expenses is based on a formula which takes into account the loss experience over the past five years.

   In addition to the provision for losses included in other operating expenses, an appropriation is made out of earnings at each year-end to provide for losses not yet known which may be incurred on realization of existing loans, together with possible losses on securities and other assets.

2. Debentures issued and outstanding comprise—

	1977	1976
(a) 7¼% Debentures maturing December 15, 1992 (the holder of any debenture may elect that such debenture mature on December 15, 1978)	**$ 50,000,000**	$ 50,000,000
(b) 7½% Debentures maturing May 15, 1993 (the holder of any debenture may elect that such debenture mature on November 15, 1979)	**50,000,000**	50,000,000
(c) 9¾% Debentures maturing January 2, 1995 (the holder of any debenture may elect that such debenture mature on January 2, 1985)	**75,000,000**	75,000,000
(d) 9½% Debentures maturing October 15, 1996 (the holder of any debenture may elect that such debenture mature on October 15, 1986)	**50,000,000**	50,000,000
	$225,000,000	$225,000,000

3. The financial statements include the assets and liabilities and results of operations of California Canadian Bank and Bank of Commerce Jamaica Limited, both of which are wholly-owned subsidiaries.

4. Provisions for income taxes are included in the financial statements as follows:

	1977	1976
Statement of Revenue, Expenses and Undivided Profits	**$103,000,000**	$128,000,000
Statement of Accumulated Appropriations for Losses	**(20,500,000)**	3,400,000
Total	**$ 82,500,000**	$131,400,000

5. The Bank is subject to the Anti-Inflation Act, under the authority of which restrictions have been placed on increases in prices, employee compensation, profit margins and dividends. The Bank believes that it is in compliance with the Act and supporting Regulations.

Statements of Assets and Liabilities of Controlled Corporations

(Annexed in accordance with section 60(4) of the Bank Act)

THE CANADIAN BANK OF COMMERCE TRUST COMPANY, NEW YORK

(as at August 31, 1977—in United States Dollars)

ASSETS		LIABILITIES		
Due from banks in the United States of America	$19,534,700	Deposits payable		$22,907,889
Securities and accrued interest	5,079,791	Accounts and taxes payable		83,957
Loans	1,617,920	Capital	$1,000,000	
Other assets	74,314	Reserve fund	1,000,000	
		Undivided profits	1,314,879	3,314,879
	$26,306,725			$26,306,725

The Bank owns the entire capital stock of The Canadian Bank of Commerce Trust Company with the exception of the directors' qualifying shares, which at August 31, 1977 was carried on the books of the Bank at Can. $2,134,553.

COMMERCE INTERNATIONAL TRUST LIMITED

(as at August 31, 1977—in Pounds Sterling)

ASSETS		LIABILITIES		
Cash and due from banks	£ 951,005	Canadian Imperial Bank of Commerce		£48,099,276
Accounts receivable	669,208	Accounts and taxes payable		949,464
		Capital	£ 100	
Loans	47,534,276	Undivided profits	105,649	105,749
	£49,154,489			£49,154,489

The Bank owns the entire capital stock of Commerce International Trust Limited, which at August 31, 1977 was carried on the books of the Bank at Can. $187.

C.I.B.C. FINANCE B.V.

Including its wholly-owned subsidiary companies (as at August 31, 1977—in Netherlands Guilders)

ASSETS		LIABILITIES		
Cash and due from banks	ƒ.342,189,405	Canadian Imperial Bank of Commerce		ƒ.627,520,643
Accounts receivable	881,131	Accounts and taxes payable		2,461,376
Loans	289,233,156			
Fixed assets less depreciation	210,960	Capital	ƒ. 200,000	
Other assets	1,138,897	Undivided profits	3,471,530	3,671,530
	ƒ.633,653,549			ƒ.633,653,549

The Bank owns the entire capital stock of C.I.B.C. Finance B.V., which at August 31, 1977 was carried on the books of the Bank at Can. $87,840.

CANADIAN IMPERIAL BANK OF COMMERCE TRUST COMPANY (CAYMAN) LIMITED

Including its wholly-owned subsidiary companies (as at August 31, 1977—in Cayman Island Dollars)

ASSETS		LIABILITIES		
Cash and due from banks	$ 3,075,052	Deposits payable		$18,966,328
Loans and mortgages receivable	16,867,700	Accounts and taxes payable		182,343
Fixed assets less depreciation	1,978,780	Capital	$2,250,000	
Other assets	9,742	Undivided profits	532,603	2,782,603
	$21,931,274			$21,931,274

The Bank owns the entire capital stock of Canadian Imperial Bank of Commerce Trust Company (Cayman) Limited, which at August 31, 1977 was carried on the books of the Bank at Can. $2,908,350.

CANADIAN IMPERIAL BANK OF COMMERCE TRUST COMPANY (BAHAMAS) LIMITED
(as at August 31, 1977—in Bahamian Dollars)

ASSETS		LIABILITIES		
Cash and due from banks	$ 1,185,767	Loans		$ 872,957
Accounts receivable	41,530	Capital	$ 300,000	
Fixed assets less depreciation	4,134	Undivided profits	58,474	358,474
	$ 1,231,431			$ 1,231,431

The Bank owns the entire capital stock of Canadian Imperial Bank of Commerce Trust Company (Bahamas) Limited, which at August 31, 1977 was carried on the books of the Bank at Can. $322,440.

THE DOMINION REALTY COMPANY LIMITED
Including its wholly-owned subsidiary companies (as at October 31, 1977—in Canadian Dollars)

ASSETS		LIABILITIES		
Fixed assets less depreciation	$117,953,379	Canadian Imperial Bank of Commerce		$ 15,671,932
Other assets	156,336	Accrued interest and other liabilities		3,209,885
		Notes payable:		
		1978-1991 (U.S. $35,500,000)		36,328,374
		1981-1991		18,000,000
		Capital	$44,000,000	
		Surplus	899,524	44,899,524
	$118,109,715			$118,109,715

The Bank owns the entire capital stock of The Dominion Realty Company Limited, which at October 31, 1977 was carried on the books of the Bank at $44,000,000.

IMBANK REALTY COMPANY LIMITED
Including its wholly-owned subsidiary company (as at October 31, 1977—in Canadian Dollars)

ASSETS		LIABILITIES		
Fixed assets less depreciation	$ 5,773,759	Canadian Imperial Bank of Commerce		$ 2,261,336
Other assets	843,671	Accrued interest and other liabilities		65,305
		First mortgage bonds:		
		Series B, 1978-1980		1,125,000
		Capital	$ 2,750,000	
		Surplus	415,789	3,165,789
	$ 6,617,430			$ 6,617,430

The Bank owns the entire capital stock of Imbank Realty Company Limited, which at October 31, 1977 was carried on the books of the Bank at $2,750,000.

AUDITORS' REPORT TO THE SHAREHOLDERS OF THE BANK

We have examined the statements of assets and liabilities of controlled corporations of Canadian Imperial Bank of Commerce as at the dates indicated. Our examinations included general reviews of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying statements of assets and liabilities present fairly the financial positions of the corporations as at the dates indicated.

Toronto, November 22, 1977

A. G. WATSON, F.C.A. of Peat, Marwick, Mitchell & Co.
D. C. SCOTT, F.C.A. of Clarkson, Gordon & Co.
} Auditors

Ten-Year Statistical Review

(thousands of dollars)

REVENUE, EXPENSES AND UNDIVIDED PROFITS	1977	1976	1975
REVENUE			
Income from loans	**$2,043,357**	$1,838,009	$1,551,291
Income from securities	**232,303**	205,862	183,553
Other operating revenue	**174,788**	163,857	144,451
Total Revenue	**$2,450,448**	$2,207,728	$1,879,295
EXPENSES			
Interest on deposits and bank debentures	**$1,483,380**	$1,331,900	$1,110,768
Salaries, pensions, and other staff benefits	**419,849**	359,639	301,596
Property expenses	**103,353**	88,246	74,637
Other operating expenses	**190,246**	154,045	129,851
Total Expenses	**$2,196,828**	$1,933,830	$1,616,852
Balance of revenue	**$ 253,620**	$ 273,898	$ 262,443
Provision for income taxes relating thereto	**103,000**	128,000	128,500
Balance of revenue after income taxes	**150,620**	145,898	133,943
Appropriation for losses	**30,000**	35,000	40,000
Balance of profits	**120,620**	110,898	93,943
Dividends	**48,776**	44,595	41,111
Amount carried forward	**71,844**	66,303	52,832
Undivided profits at beginning of year	**4,822**	3,519	687
Transfer from accumulated appropriations for losses	**—**	—	—
	76,666	69,822	53,519
Transferred to rest account	**75,000**	65,000	50,000
Undivided profits at end of year	**$ 1,666**	$ 4,822	$ 3,519
PER SHARE (in dollars)			
Balance of revenue, after taxes	**$ 4.32**	$ 4.19	$ 3.84
Balance of profits	**3.46**	3.18	2.70
Dividends	**1.40**	1.28	1.18

Note: For purposes of this Review, certain financial statement captions have been abbreviated or grouped, and amounts shown for earlier years have been restated where necessary to conform to the presentation used in 1977.

1974	1973	1972	1971	1970	1969	1968
$1,369,985	$ 825,824	$590,428	$516,505	$572,999	$466,308	$328,457
176,499	148,783	159,611	162,206	140,297	132,115	115,623
112,649	96,128	84,632	72,853	74,523	69,990	59,663
$1,659,133	$1,070,735	$834,671	$751,564	$787,819	$668,413	$503,743
$1,041,991	$ 558,454	$408,392	$393,589	$441,142	$349,892	$238,050
241,914	192,608	154,129	138,566	127,289	121,207	105,166
64,486	58,190	53,226	45,599	39,286	33,717	28,725
104,613	80,055	63,694	51,572	43,083	38,346	35,573
$1,453,004	$ 889,307	$679,441	$629,326	$650,800	$543,162	$407,514
$ 206,129	$ 181,428	$155,230	$122,238	$137,019	$125,251	$ 96,229
104,800	88,500	73,000	61,300	71,500	65,000	49,600
101,329	92,928	82,230	60,938	65,519	60,251	46,629
38,000	38,000	33,000	20,000	22,000	22,000	13,700
63,329	54,928	49,230	40,938	43,519	38,251	32,929
38,672	33,446	27,872	25,085	23,691	22,994	19,859
24,657	21,482	21,358	15,853	19,828	15,257	13,070
11,030	9,548	8,190	7,337	2,509	1,252	3,182
—	15,000	10,000	10,000	10,000	11,000	—
35,687	46,030	39,548	33,190	32,337	27,509	16,252
35,000	35,000	30,000	25,000	25,000	25,000	15,000
$ 687	$ 11,030	$ 9,548	$ 8,190	$ 7,337	$ 2,509	$ 1,252
$ 2.91	$ 2.67	$ 2.36	$ 1.75	$ 1.88	$ 1.73	$ 1.34
1.82	1.58	1.41	1.18	1.25	1.10	.95
1.11	.96	.80	.72	.68	.66	.57

Ten-Year Statistical Review

(thousands of dollars)

ASSETS AND LIABILITIES AS AT OCTOBER 31	**1977**	1976	1975
ASSETS			
Cash resources	**$ 6,802,000**	$ 5,516,136	$ 4,769,445
Securities	**3,424,193**	2,711,762	2,539,166
Loans	**19,549,517**	16,354,823	13,488,454
Bank premises	**296,229**	262,735	232,365
Other assets	**1,897,310**	1,258,587	1,229,623
Total	**$31,969,249**	$26,104,043	$22,259,053
LIABILITIES			
Deposits	**$29,316,320**	$23,867,587	$20,146,034
Sundry liabilities	**1,384,271**	1,070,591	1,107,995
Accumulated appropriations for losses	**332,312**	301,363	256,825
Capital funds:			
Debentures	**225,000**	225,000	175,000
Shareholders' equity	**711,346**	639,502	573,199
Total	**$31,969,249**	$26,104,043	$22,259,053

ACCUMULATED APPROPRIATIONS FOR LOSSES			
Accumulated appropriations at beginning of year	**$ 301,363**	$ 256,825	$ 210,822
Additions (deductions) during year:			
Current year's appropriation	**$ 30,000**	$ 35,000	$ 40,000
Losses on loans under (over) five-year average	**(21,728)**	(3,147)	(4,844)
Profits and losses on securities	**2,102**	16,085	11,580
Other profits and losses, (net)	**75**	—	(733)
Provision for income taxes	**20,500**	(3,400)	—
Transferred to undivided profits	**—**	—	—
	$ 30,949	$ 44,538	$ 46,003
Accumulated appropriation at end of year:			
General	**$ 119,709**	$ 101,133	$ 93,110
Tax-paid	**212,603**	200,230	163,715
Total	**$ 332,312**	$ 301,363	$ 256,825

Note: For purposes of this Review, certain financial statement captions have been abbreviated or grouped, and amounts shown for earlier years have been restated where necessary to conform to the presentation used in 1977.

1974	1973	1972	1971	1970	1969	1968
$ 3,838,470	$ 3,900,295	$ 2,495,251	$ 2,044,230	$ 2,812,703	$1,623,306	$1,014,355
2,611,826	2,492,933	2,556,442	2,864,300	2,514,860	2,108,971	2,392,295
11,509,598	8,984,594	7,611,469	5,939,516	5,242,014	5,090,629	4,617,883
212,730	196,528	180,471	132,646	110,439	88,596	81,009
774,257	527,316	457,178	419,568	370,567	288,478	237,569
$18,946,881	$16,101,666	$13,300,811	$11,400,260	$11,050,583	$9,199,980	$8,343,111
$17,394,427	$14,801,144	$12,205,229	$10,419,308	$10,180,598	$8,397,795	$7,623,000
721,265	499,563	447,535	386,351	320,165	286,435	233,209
210,822	205,249	188,819	166,731	147,803	143,561	140,970
100,000	100,000	—	—	—	—	—
520,367	495,710	459,228	427,870	402,017	372,189	345,932
$18,946,881	$16,101,666	$13,300,811	$11,400,260	$11,050,583	$9,199,980	$8,343,111
$ 205,249	$ 188,819	$ 166,731	$ 147,803	$ 143,561	$ 140,970	$ 110,003
$ 38,000	$ 38,000	$ 33,000	$ 20,000	$ 22,000	$ 22,000	$ 13,700
(5,624)	(1,360)	(3,811)	(8,653)	(5,359)	1,703	2,746
(26,772)	(5,332)	1,082	18,108	(1,941)	(8,063)	1,062
(31)	322	2,117	(527)	(158)	451	(441)
—	(200)	(300)	—	(300)	(2,500)	13,900
—	(15,000)	(10,000)	(10,000)	(10,000)	(11,000)	—
$ 5,573	$ 16,430	$ 22,088	$ 18,928	$ 4,242	$ 2,591	$ 30,967
$ 88,865	$ 108,500	$ 115,482	$ 122,562	$ 116,655	$ 120,317	$ 129,825
121,957	96,749	73,337	44,169	31,148	23,244	11,145
$ 210,822	$ 205,249	$ 188,819	$ 166,731	$ 147,803	$ 143,561	$ 140,970

International Offices

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Banking Offices
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EC3P 3EU

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Frankfurt, Germany
Bockenheimer Landstrasse 51-53,
D6000 Frankfurt/Main, West Germany

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Amsterdam, The Netherlands

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Via V Pisani 19,
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Zurich, Switzerland
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8002, Zurich, Switzerland

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Offshore Banking Unit,
Box 5484, Manama, Bahrain

Representative Offices
Manama, Bahrain
Box 774, Manama, Bahrain

Teheran, Iran
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Offshore Branch with Asian Currency Unit,
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Tokyo 100, Japan

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Sydney, N.S.W. 2000, Australia

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Paseo de la Reforma 199-1101
Mexico, 5 D.F. Mexico

São Paulo, Brazil
Rua Libero Badaro, 377-12°-cj 1203,
CEP 01009-São Paulo (SP) Brazil

IN THE BAHAMAS AND WEST INDIES
Bahamas and Cayman Area Office
Box N8329, Nassau, Bahamas
Branches at Bay and Parliament, Coconut Grove, Madeira Shopping Centre, Nassau Beach Hotel, Potter's Cay, Nassau (New Providence Island); Man-of-War Cay, Marsh Harbour (Abaco Island); San Andros, (Andros Island) Churchill Square, Eight Mile Rock, Queen's Highway, Freeport (Grand Bahama Island); George Town and Owen Roberts Airport, Grand Cayman.

Eastern Caribbean Area Office
Box 503, Bridgetown, Barbados
Branches at St. John's, Antigua; Broad Street, Trafalgar and Marhill, Bridgetown; Oistins, Pandora's Shopping Centre, Peronne Plaza, Rock Dundo, Sunset Crest Shopping Centre, Speightstown, Worthing, Barbados; St. George's and Sauteurs, Grenada; Castries, Vieux Fort, St. Lucia; Kingstown, St. Vincent.

Trinidad and Tobago Area Office
72 Independence Square, Port of Spain, Trinidad
Branches at 48a Ariapita Avenue, 53 Frederick Street, 55 Queen Street, St. James, Port of Spain; Chaguanas, Curepe, Glencoe, Marabella, Maraval, San Fernando, San Juan, Tunapuna, Trinidad and Scarborough, Tobago.

TRUST OPERATIONS
A full range of trust services is available through:
The Canadian Bank of Commerce Trust Company, 20 Exchange Place,
New York, N.Y. 10005
Canadian Imperial Bank of Commerce Trust Company (Bahamas) Limited,
P.O. Box N3933, Nassau, Bahamas
Bank of Commerce Trust Company Barbados Limited,
P.O. Box 1008, Bridgetown, Barbados
Canadian Imperial Bank of Commerce Trust Company (Cayman) Limited,
P.O. Box 694, Grand Cayman, Cayman Islands
The Canadian Bank of Commerce Trust Company (Caribbean) Limited,
P.O. Box 43, Kingston, Jamaica
Bank of Commerce Trust Company Trinidad and Tobago Limited,
P.O. Box 1059, Port of Spain, Trinidad

INTERNATIONAL SUBSIDIARIES
Bank of Commerce Jamaica Limited
Head Office:
121 Harbour St., Kingston, Jamaica
Branches at Duke and Laws, Half Way Tree, King and Harbour, Manor Park Shopping Centre, New Kingston, Newport West, Princess and West Queen Streets, Twin Gates Shopping Centre, Kingston; Buff Bay; Lluidas Vale; Mandeville; May Pen; Montego Bay; Ocho Rios and Port Antonio.
California Canadian Bank
Head Office:
340 Pine Street, San Francisco, California 94104
Branches at Belmont; Campbell; Concord; Cupertino; El Cajon; Lafayette; 700 South Flower Street, 3301 Wilshire Blvd., Los Angeles; Newport Beach; Orange; Palo Alto; Pleasant Hill; Sacramento; 770 B Street, 4160 Kearny Mesa Rd., 3505 Sports Arena Blvd., San Diego; 344 Pine Street, 65 Jefferson Street, 1001 Taraval Street, San Francisco; San Jose; San Mateo; San Rafael; Santa Rosa; and Sunnyvale.
Canadian Imperial Bank of Commerce (International) S.A.
1, Rue du Boccador,
75008 Paris, France
Commerce International Finance Company (Asia) Limited
1001 Bank of Canton Bldg.,
6 Des Voeux Rd. Central, Hong Kong

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Telephone 862-2211
Telex No. 065-24116 Answer-Back "Canbank Tor"

DOMESTIC REGIONAL OFFICES

Atlantic:	5171 George Street, Halifax, N.S. B3J 2N7 90 branches
Quebec: Montreal Region Quebec Region	1155 Dorchester Blvd. West Montreal P.Q. H3C 3B2 213 branches
Ontario: Ontario Central Region Ontario Central East Region Ontario Central West Region Ontario Toronto City Region Main Branch Commerce Court	Commerce Court West Toronto M5L 1A2
Ontario East and North Region	222 Queen Street Ottawa, Ontario K1P 5V9
Ontario Hamilton-Niagara Region	1 James Street South Hamilton, Ontario L8P 4R5
Ontario South-West Region	380 Wellington Street London, Ontario N6A 5B5 768 branches

Manitoba:	375 Main Street Winnipeg, Manitoba R3C 2P3 89 branches
Saskatchewan:	1867 Hamilton Street Regina, Saskatchewan S4P 3G6 109 branches
Alberta South	309-8th Ave. S.W Calgary, Alberta T2P 2P[illegible]
Alberta North and Northwest Territories	9990 Jasper Ave. Edmonton, Alberta T5J 2K3 198 branches
British Columbia and Yukon Territory:	640 Hastings Street Vancouver, B. C. V6B 1P9 247 branches

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To Our Shareholders:

The interim financial statements show a result which does not compare favourably with the corresponding period last year. Balance of revenue after income taxes for the six months to April 30, 1977 amounted to $58.7 million, down 21% notwithstanding an increase of 18% in average assets.

After tax earnings from international business were unchanged compared to a year ago, although there was some narrowing in interest spreads. The outlook for international earnings for the balance of the year must be tempered by the recognition that volatility in profit margins is inherent in this segment of our business. Subject to such uncertainties, we expect earnings from international business to continue to make a strong contribution in 1977 and to approximate the record levels of 1976.

Earnings from our domestic operations were lower due to a decline in net interest margins and higher operating costs. As is common in the industry generally, we are encountering more problem loans than has been typical of past years, and, therefore, it was considered prudent to increase the provision for possible loan losses which is reflected in the higher operating costs. Actual loss experience will depend, at least in part, on whether the economic climate in Canada becomes more favourable.

The trend toward greater reliance on relatively high cost term deposits, evident during the past few years is continuing, and, as a greater proportion of the loans of this Bank are immediately affected by changes in interest rates, as compared to the industry, our interest margins are more severely affected during a period of declining interest rates. This adverse effect is not present during a period of stable or increasing interest rates.

Operating costs are higher than a year ago due, in part, to inflationary pressures but accelerated by planned expenditures implemented in recent years to reorganize the domestic regions, increase the staff support at head office and to improve the capabilities of our electronic data processing systems. While the benefits will not be immediate, these changes were essential to keep your Bank in the forefront of the financial industry. We are confident that this investment for the future will result over the longer term in an improved earnings performance.

The major programmes contributing to the cost increases referred to above are now behind us. Consequently, the rate of increase in controllable costs will moderate and, providing interest rates become more stable, the trend for the balance of the year should improve.

R. E. HARRISON
CHAIRMAN AND CHIEF EXECUTIVE OFFICER

CANADIAN IMPERIAL
BANK OF COMMERCE

HEAD OFFICE
COMMERCE COURT
TORONTO, CANADA
M5L 1A2

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CANADIAN IMPERIAL
BANK OF COMMERCE

INTERIM REPORT

For the six months ended

April 30, 1977

CHAIRMAN
AND CHIEF EXECUTIVE OFFICER
R. E. HARRISON

PRESIDENT
AND CHIEF OPERATING OFFICER
R. D. FULLERTON

STATEMENT OF REVENUE AND EXPENSES

(in thousands of dollars)

	For the three months ended April 30		For the six months ended April 30	
	1977	1976	1977	1976
REVENUE				
Income from loans	$490,080	$440,238	$ 990,046	$ 871,752
Income from securities	49,862	48,170	106,494	95,814
Other operating revenue	42,367	41,302	85,630	79,230
Total revenue	582,309	529,710	1,182,170	1,046,796
EXPENSES				
Interest on deposits and bank debentures	356,077	315,798	723,436	616,196
Salaries, pension contributions and other staff benefits	105,883	88,151	206,425	171,126
Property expenses, including depreciation	26,317	21,723	51,390	42,795
Other operating expenses, including provisions for losses on loans based on estimated five-year average loss experience (note)	49,205	37,288	94,969	75,699
Total expenses	537,482	462,960	1,076,220	905,816
Balance of revenue	44,827	66,750	105,950	140,980
Provision for income taxes relating thereto	19,900	31,000	47,200	66,500
Balance of revenue after taxes (note)	24,927	35,750	58,750	74,480
Per share	72¢	$1.03	$1.69	$2.14
Dividends declared	12,194	11,149	24,388	22,298
Per share	35¢	32¢	70¢	64¢

NOTE: In addition to the provision for losses included in other operating expenses, an appropriation is made out of earnings at each year-end to provide for losses not yet known which may be incurred on realization of existing loans, together with possible losses on securities and other assets. The amount of such appropriation has not been provided for in the interim financial statements and will be determined at the end of the year.

BALANCE SHEET HIGHLIGHTS

(in millions of dollars)

	As at April 30		
	1977	1976	% Increase
Total assets	$28,874	$24,534	18
Total loans	18,047	15,193	19
Deposits			
In Canadian dollars	18,729	16,114	16
In foreign currencies (Canadian dollar equivalent)	7,708	6,297	22
Total deposits	26,437	22,411	18

The interim figures shown in this Statement are subject to year-end adjustment and audit.